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No. 84-562 (4)

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

NICOLET INSTRUMENT CORPORATION,
a Wisconsin corporation,
Petitioner,

v.

BIO-RAD LABORATORIES, INC.
a Delaware corporation,
Respondent.

Reply to Brief in Opposition to Nicolet's Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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CONSTITUTION

Article I, Section 8 4

I. THE ISSUES RAISED BY NICOLET IN ITS PETITION FOR A WRIT OF CERTIORARI SHOULD BE REVIEWED BY THIS COURT ON THEIR MERITS.

In its Petition for a Writ of Certiorari, Nicolet has raised issues which focus on the constitutional nature of determinations concerning patent validity and infringement and the manner of submission of those issues to a jury to ensure that improper fact finding does not substitute for a proper determination of patentability. Nicolet has shown that the decision below of the Court of Appeals for the Federal Circuit ("CAFC") is in conflict with the decisions of other federal courts of appeals, is in conflict with other of the CAFC's own decisions, reaches important issues of federal law which should be settled by this Court, and that this Court's exercise of its supervisory authority is necessary to provide guidance to the trial courts and appellate courts in the area of patent jury trials. These essential issues, which have a profound effect on the nation's patent system given the increasing use of patent jury trials, should be resolved by this Court. It is all the more important that the Court resolve the issues raised given the early stages of the development of the CAFC and the lack of unity within the decisions of that court.

Bio-Rad has argued that this Court should ignore the issues raised by Nicolet because Nicolet did not object to the jury instructions.[1] Bio-Rad also argues that for this reason Nicolet may not now complain that the trial court allowed the jury to determine the ultimate legal issue of patent validity without itself undertaking a decision on that issue of law.

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[1] Bio-Rad has chosen to ignore the circumstances under which the jury instructions arose. The trial court at the commencement of the trial indicated to counsel for both parties that it would be incumbent upon them to prepare the jury instructions because the trial court had no prior experience in a patent infringement jury case (TR 5903) (TR refers to trial transcript) and that it would be necessary for counsel to reach agreement between themselves. With this direction from the trial court, the task of preparing the jury instructions was divided with Bio-Rad pre-

Such an argument ignores the record in this case and the precedents of this Court which render the trial court's failure to undertake such a review plain error. Moreover, the issues are of constitutional dimensions and profoundly affect the public interest and should be resolved by this Court.

The record indicates that before the trial court entered judgment on the jury's verdict, Nicolet advised the court that applicable law required the court to itself determine the legal issue of validity and to itself determine the scope of the claims of the patent as a matter of law. Reference to the court's order for judgment makes it clear that the court made no independent determination of legal issues concerning patent validity or those related to infringment. (N.App. 19).[2] Whether or not it was proper for the trial court to allow the jury to render an advisory

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paring the patent instructions and Nicolet preparing the antitrust instructions. No agreement could be reached on the jury instructions throughout the trial and they were still in issue after the closing arguments had been made to the jury just before Christmas. (TR 5903-05). It was only as a last resort in order to obtain settled patent instructions as required by the trial court that Nicolet made concessions to Bio-Rad. (TR 5906).

The forms of verdict proposed by Nicolet and Bio-Rad were reviewed by the trial court (TR 5903). The so-called interrogatories of Bio-Rad were not addressed to factual issues in the case but rather were merely a paraphrase of the jury instructions and the law (TR 5918) and the trial court so found (TR 5902). At no time did Bio-Rad suggest submitting any interrogatories directed to *Graham* factual issues. However, again the trial court insisted that counsel resolve between themselves a suitable form of verdict (TR 5923) so he could instruct the jury with the settled instructions (TR 592-5969). A form of verdict was finally agreed upon and given to the jury at 4:00 p.m. on December 22, 1982. (TR 5975). This form of verdict was the result of prolonged negotiations in which counsel for Bio-Rad insisted that the jury answer certain questions if claims of the patent in suit were invalid but refused to include any similar questions if the patent claims were found to be valid. Since the jury found the patent valid, there is no basis for ascertaining how the jury made this decision. Thus it was at Bio-Rad's insistence that a general verdict on validity was rendered.

[2] In this brief, page numbers preceded by N. App. refer to Nicolet's Appendix filed with its Petition. N.P. refers to its Petition. Page numbers preceded by BR App refer to Bio-Rad's Appendix to its Brief in opposition to Nicolet's Petition. BR Br refers to Bio-Rad's Brief.

verdict on these ultimate legal issues, it clearly was improper for the court to refuse to perform an independent determination of these legal issues as required by the decisions of this Court and federal courts of appeals.[3] *See Sakraida v. Ag Pro, Inc.*, 425 U.S. 273, 280 (1976), *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966); *Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324, 1343 (7th Cir. 1983); *Baumstimler v. Rankin*, 677 F.2d 1061, 1070 (5th Cir. 1982).

Bio-Rad has attempted to frame the issue herein as one of Nicolet's failure to object to the jury instructions. It then argues that Rule 51 of the Federal Rules of Civil Procedure forbids Nicolet from assigning as error any objections it now has to those instructions. (*See* BR Br 6). This argument misses the point. With regard to the issues of patent validity and claim interpretation, the focus of Nicolet's concern is not on the instructions, but on the failure of the trial court to perform any independent determination of those issues after the jury rendered its verdict. Rule 51 does not speak to this situation. Moreover, the trial court's action constituted plain error in light of the precedents of this Court holding that determination of patent validity and the scope of claims is to be made as a matter of law. Even if the issue could be framed as one of failing to object to jury instructions, because of this plain error, no objection was necessary. *See Beardshall v. Minuteman Press International, Inc.*, 664 F.2d 23, 26 (3rd Cir. 1981); *Rodrique v. Dixilyn Corp.*, 620 F.2d 537, 540 n. 5 (5th Cir. 1980).

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[3] Bio-Rad has urged that no weight should be accorded any opinions of courts of appeals other than those of the CAFC because those opinions are not binding on the CAFC. (BR Br 9 n.6) The opinion of any court of appeals is not binding on any other court of appeals, but that does not mean no weight should be given to well reasoned decisions of other circuits addressing the same issues. Similarly, here the well reasoned opinions of various courts of appeals are entitled to weight even though they do not bind the CAFC. Judge Nichols of the CAFC has recognized this and in a concurring opinion commended *Roberts v. Sears Roebuck & Co., supra*, as a good dissertation on the determination of the issue of obviousness. *See Railroad Dynamics Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1524 (Fed. Cir. 1984) (Nichols, J., concurring).

Bio-Rad asserts that, because Nicolet failed to make a motion for directed verdict at the close of all the evidence, even though it made one at the close of plaintiff's case, this Court is precluded from considering the issues that Nicolet raises. This argument must be rejected for two reasons. First, the issues sought to be reviewed by Nicolet are legal in scope and the sufficiency of the evidence is not at issue. Second, the trial court indicated that such motions were unnecessary and in any event would not be seriously considered given the length of the trial. Under these circumstances, should it become unnecessary to review the sufficiency of the evidence, Nicolet has not waived its right to such a review. *See Bonner v. Coughlin*, 657 F.2d 931, 938-39 (7th Cir. 1981); *Albrecht v. Herald Co.*, 452 F.2d 124, 127 (8th Cir. 1971).

The issues raised by Nicolet affect not only the parties to this litigation but also the public interest. The Constitution of the United States provides for the establishment of a patent system "to promote the Progress of, Science and useful Arts . . ." Art. I, Sec. 8. Because the patent system limits the technology available to the public through the grant of patent monopolies, the public interest is affected by any decision relating to the scope of patents. This Court's decision concerning the manner of submission of patent issues to juries will, of course, have a profound effect on the public interest served by and affected by the patent system.[4] In light of that interest, and the constitutional dimension of the issues raised by Nicolet, the procedural irregularities asserted by Bio-Rad, even if they did have merit, should not be allowed to foreclose this Court's review of the important issues raised by Nicolet's Petition for a Writ of Certiorari.

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[4] Indeed, in this case the trial court, in recognition of that public interest, suspended an injunction previously entered against Nicolet forbidding it from infringing the patent. It found Nicolet should be permitted to sell such instruments, pending appeal, since the public had exhibited a marked preference for Nicolet's product over Bio-Rad's product. (N. App. 23).

Although all the procedural matters now raised by Bio-Rad were raised before the CAFC below, that Court did not base its affirmance of the trial court on any of those grounds. Rather, the Court based its decisions on the substantive points raised by the parties. It is that decision which Nicolet asks this Court to review.

II. THE DETERMINATION OF PATENT VALIDITY AND INTERPRETATION OF PATENT CLAIMS SHOULD HAVE BEEN PERFORMED BY THE LOWER COURTS AS A MATTER OF LAW.

Bio-Rad argues that, as with any other jury trial, the jury in a patent case is to be allowed to determine the ultimate legal issues, including patent validity and interpretation of claims, after being instructed by the Court. This position clearly ignores the precedents of this Court which mandate that special care be taken by the judiciary to ensure that improper fact-finding does not substitute for a proper legal determination of patent validity. These decisions were motivated by the recognition that the patent standard is basically constitutional and that patents have the effect of granting a private monopoly.[5] *See Anderson's-Black Rock v. Pavement Salvage Co.*, 396 U.S. 57, 61 (1969). Applying this standard, this Court has on a number of occasions independently evaluated underlying facts to determine the legal issue of patentability. *See, e.g., Sakraida v. Ag-Pro, Inc., supra.* at 280; *Anderson's-Black Rock, Inc. v. Pavement Salvage Co., supra.* at 62-63. Although these decisions involved fact-finding by a judge rather than the

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[5] Bio-Rad has stated that determination of validity in an ordinary patent case does not involve a constitutional question. (BR Br 12 n.10). This Court has, however, noted that the standard of patentability is basically constitutional. Although 35 U.S.C. § 103 specifically defines the standard of patentability with regard to obviousness, the fact remains that the constitutional standard may not be ignored. *Anderson's-Black Rock, Inc. v. Pavement Salvage Co., supra.* at 61-62.

jury, there is no reason to believe that this standard would not apply where the jury is the trier of fact. *See Roberts v. Sears, Roebuck & Co., supra.*

In its brief, Bio-Rad feigns ignorance as to what independent evaluation of the underlying facts would entail. (BR Br 12). One need look no further than this Court's own decisions to find that such independent review was performed by this Court and to see the manner in which that review was performed. *See Sakraida v. Ag-Pro., Inc., supra.; Anderson's-Black Rock, Inc. v. Pavement Salvage Co., supra.; Graham v. John Deere Co., supra.* Such an independent review would not, contrary to Bio-Rad's assertions, render the trial days spent a waste of time. Rather, it would assure that constitutional standards for patentability have been met. Of course, given the failure to submit special interrogatories to the jury to determine the underlying fact-finding, the trial court's responsibilities in this regard would have been more difficult. The trial court did not, however, even attempt to perform such a review.

Bio-Rad has argued that there were a number of disputed issues of fact relating to anticipation, obviousness, and infringement which rendered the issues in the case "mixed questions of law and fact, properly determinable by a properly instructed jury." (BR Br 11). There simply is no support for such a proposition in the decisions of this Court. In the landmark decision of *Graham v. John Deere, supra* at 17, the Court made it clear that underlying factual matters may be determined by the trier of fact, but the ultimate determination of validity is to be made as one of law. Bio-Rad's suggestion that because certain underlying facts are in dispute the legal question may also be decided by the trier of fact is directly contrary to the Court's pronouncement in *Graham.*

Bio-Rad has argued that the CAFC has consistently allowed the jury to determine the ultimate legal issue of validity without any independent determination of that issue by the judiciary. It thus argues that there is no conflict among the decisions of the

CAFC, and this Court should not grant certiorari to decide the issue of whether the trial court must make the ultimate determination of patentability in a case tried to the jury (BR Br 10). This argument must fail. The court in *Union Carbide Corp. v. American Can Corp.*, 742 F.2d 1567 (Fed. Cir. 1984) held that obviousness is to be determined by a reviewing court as an issue of law on which it must exercise independent judgment. Contrary to Bio-Rad's assertion, this holding is as applicable to a jury trial as to a motion for summary judgment. Whether the underlying facts are undisputed, as in *Union Carbide Corp.* or whether the underlying facts are found by a jury, the point is that the CAFC recognized that it was to review the question of obviousness as one of law, utilizing its independent judgment. This recognition creates a conflict within the decisions of the CAFC. In the present case the court performed no independent evaluation of the underlying evidence, but instead approached the problem as whether a reasonable jury possibly could make the ultimate legal conclusion it did (N. App. 37).

Moreover, if Bio-Rad is right that the CAFC has consistently ignored this Court's requirement that the courts independently review the legal issue of validity, the CAFC's decision represents a determination of an important federal question. This Court should exercise its supervisory authority to ensure that the proper legal standard is applied. *See generally* Rule 17, Rules of the Supreme Court of the United States.

Bio-Rad has also argued that the courts below were not required to construe the claims of the patent as a matter of law, but properly delegated this task to the jury because certain witnesses offered differing interpretations of the claim language. (BR Br 11). This misapprehends the well-established law that claim construction is a question of law for the judge where the language of the claims is clear. *See Coupe v. Royer*, 155 U.S. 565, 574-5 (1895); *Keystone Bridge, Co. v. Phoenix Iron Co.*, 95 U.S. 274 (1877). Bio-Rad's witnesses' opinions with regard to the language of Claim 1 of the patent requiring that certain

steps be performed "in sequence" were not sufficient to forbid the trial court from deciding the meaning of that term as a matter of law. The term "in sequence" is unambiguous, explicit and no interpretation is necessary. Under those circumstances the issue was to be decided by the trial court. The court refused to do so, even though Nicolet brought to its attention the need to do so before judgment was entered. It is essential that this Court provide guidance by requiring that unambigous claims be construed by the court and interpretation not be delegated to the jury.

III. THE USE OF SPECIAL INTERROGATORIES IN PATENT JURY CASES IS A MATTER THAT SHOULD BE ADDRESSED BY THIS COURT.

There can be little question that there was a lack of uniformity of decision among the various courts of appeals as to whether the trial court must employ special interrogatories setting forth the elements of the factual inquiry required in *Graham v. John Deere Co., supra.* As is more fully noted in Nicolet's Petition for a Writ of Certiorari (N P 14-15), precedents of the CAFC are now at best confusing. Bio-Rad suggests that the decision of a three-judge panel in *Weiner v. Rollform, Inc.*, (BR App 7b) ends the confusion. Instead, that decision adds to it. In *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1361 (Fed. Cir. 1984) the CAFC favorably quoted a decision of the Fifth Circuit noting that the failure to use special interrogatories setting forth the *Graham* inquiries would "place a heavy burden of convincing the reviewing court that the trial judge did not abuse his discretion." By contrast, in *Weiner,* a different panel of the CAFC took an entirely different approach. (BR App 8b). Without the guidance of this Court, any district court faced with the trial of a patent jury case is provided with conflicting views of the matter which will provide it with no guidance. Given the considerable judicial resources expended in the trial of a patent-jury case, the trial courts are entitled to some guidance on this issue.

Bio-Rad has suggested that Nicolet has not been explicit in suggesting what this Court should do to provide guidance as to the issue of special interrogatories. Nicolet's position is simple. Where a case involves an issue of obviousness necessitating the three-part factual inquiry required by *Graham*, it is an abuse of the trial court's discretion to fail to utilize special interrogatories to ensure that the three-part factual inquiry was made. Without the benefit of such interrogatories the trial court will have no basis for its independent legal determination on the issue of obviousness. If the requirement of *Graham v. John Deere Co.*, is to mean anything, and legal determinations of patentability are to be intelligently made, nothing less is required.

IV. A PATENTEE IS NOT ENTITLED TO AN AWARD OF LOST PROFITS WHERE ITS PRODUCT IS NOT COVERED BY THE PATENT IN SUIT.

Bio-Rad has argued that because Nicolet stipulated to Bio-Rad's patent jury instructions on lost profits, there was no need for Bio-Rad to prove that its product, the FTG-12, was covered by the patent in suit. To the extent the instruction given on lost profits allowed submission to the jury of this issue without such proof, it represents fundamental and highly prejudicial error, requiring a new trial even in the absence of an objection. *See Morris v, Getscher*, 708 F.2d 1306, 1309 (8th Cir. 1983); *Rodrique v. Dixilyn Corp., supra.*

Bio-Rad further argues that coverage of the plaintiff's product by the patent is not an essential element of proof of lost profits. This is simply untrue. *Standard Mailing Machines Co. v. Postage Meter Co.*, 31 F. 459 (D.C. Mass. 1929). None of the cases cited by Bio-Rad in support of its position hold that there is no need to prove that plaintiff's product was covered by the patent. Rather, that issue was simply not raised in those cases.

Bio-Rad also argues that the *Panduit* test does not require the plaintiff's product to be covered by the patent because it

uses the phase "demand for *the* patented product" rather than "demand for *his* patented product" (emphasis added). (BR Br 15). To the extent there was an ambiguity in that case, the ambiguity was resolved by the court in *Milgo Electronic Corp. v. United Business Communications, Inc.*, 623 F.2d 645, 663 (10th Cir. 1980), relied upon by Bio-Rad in its Brief. There, in restating the *Panduit* test, the court used the phrase "demand for *his* patented product" (emphasis added). This is the phrase Bio-Rad has argued would demand proof that the plaintiff's product is covered by the patent. Indeed, any other formulation of the test makes little sense given that the purpose of an award of lost profits is to make the plaintiff whole. An award based on its inability to sell a product not covered by the patent bears no relationship to this purpose. It is essential that this Court resolve and clarify this issue particularly in view of the fact that the jury in this case awarded as lost profits approximately two thirds of the selling price of the instrument.

V. CONCLUSION

For the reasons stated in Nicolet's Petition for a Writ of Certiorari, the Writ should be granted. Bio-Rad's assertions to the contrary are without merit and only serve to emphasize the importance of resolving the fundamental issues raised by Nicolet.

Respectfully submitted,

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